



IESO Markets Financial Statements

For the year ended December 31, 2024

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Management Report

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Independent Electricity System Operator Markets are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards except for the following:

- All remeasurement gains and losses on unsettled foreign currency transactions at the year-end will be recorded in the statement of operations when realized instead of flowing through the statement of remeasurement gains and losses in accordance with PSAS section PS 2601;
- No presentation of any budgeting information;
- No presentation of the Statement of Remeasurement Gains and Losses, Statement of Change in Net Debt; and Statement of Cash Flows;

The significant accounting policies followed by the Independent Electricity System Operator Markets are described in the Summary of Significant Accounting Policies contained in Note 2 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to June 3, 2025.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by the Board of Directors. The auditor's responsibility is to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with the financial reporting provisions of the IESO Board of Directors resolution dated October 23, 2019 and the amending resolution dated April 22, 2020 contained in Note 1 in the financial statements. The Independent Auditor's Report, which follows, outlines the scope of their examination and opinion.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR MARKETS

On behalf of management,



Lesley Gallinger
President and Chief Executive Officer
Toronto, Canada
June 3, 2025



Ernest Chui
Vice President, Corporate & Market Services and
Chief Financial Officer
Toronto, Canada
June 3, 2025

Independent Auditor's Report

To the Board of Directors of the Independent Electricity System Operator,

Opinion

We have audited the financial statements of the Independent Electricity System Operator Markets (the Entity), which comprise:

- the statement of financial position as at December 31, 2024,
- the statement of operations and accumulated surplus for the year then ended,
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended December 31, 2024 of the Entity are prepared, in all material respects, in accordance with the financial reporting provisions of the IESO Board of Directors resolution dated October 23, 2019 and the amending resolution dated April 22, 2020.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 2(a) in the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Other Matter – Restriction on Use

Our report is intended solely for the IESO Board of Directors, and the Ontario Energy Board and should not be used by other parties.

Other Matter – Comparative Information

The financial statements for the year ended end of December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 7, 2024.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of the IESO Board of Directors resolution dated October 23, 2019 and the amending resolution dated April 22, 2020, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads "KPMG LLP". The letters are stylized and slanted. A single horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

June 5, 2025

Statement of Financial Position

As at December 31 (in thousands of Canadian dollars)	Note	2024	2023
		\$	\$
FINANCIAL ASSETS			
Cash and cash equivalents		290,958	591,083
Accounts receivable	3	1,810,875	1,704,727
Government Directed Programs receivable		-	79,996
Other receivables		51,272	59,136
Rebates due from the IESO	4	2,081	4,194
TOTAL FINANCIAL ASSETS		2,155,186	2,439,136
LIABILITIES			
Accounts payable and accrued liabilities	5	1,850,220	1,994,481
Debt	6	5,516	337,475
Deferred Administered Market Settlements revenue		94,566	102,986
Deferred Government Directed Programs revenue		202,803	-
Rebates due to market participants	4	2,081	4,194
TOTAL LIABILITIES		2,155,186	2,439,136
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS		-	-

See accompanying notes to financial statements

On behalf of the Board:



William (Bill) Sheffield
Chair
Toronto, Canada



David Collie
Director
Toronto, Canada

Statement of Operations and Accumulated Surplus

For the year ended December 31 (in thousands of Canadian dollars)	Note	2024	2023
		\$	\$
REVENUES			
Administered Market Settlements	7	8,552,498	7,607,914
Global Adjustment	8	8,427,630	8,705,446
Government Directed Programs	9	6,576,592	6,300,642
Investment income	10	32,455	35,932
TOTAL REVENUES		23,589,175	22,649,934
EXPENSES			
Administered Market Settlements	7	8,555,688	7,614,407
Global Adjustment	8	8,427,630	8,705,446
Government Directed Programs	9	6,585,007	6,306,964
Market interest transfer to IESO	10	18,230	17,931
Interest expense		2,620	5,186
TOTAL EXPENSES		23,589,175	22,649,934
SURPLUS		-	-
ACCUMULATED SURPLUS, BEGINNING OF YEAR		-	-
ACCUMULATED SURPLUS, END OF YEAR		-	-

See accompanying notes to financial statements

Notes to Financial Statements

(Tabular amounts in thousands of Canadian dollars unless otherwise indicated)

1. NATURE OF OPERATIONS

As set out in Ontario's Electricity Act (the "Act"), the Independent Electricity System Operator ("IESO") operates pursuant to a licence granted by the Ontario Energy Board ("OEB") and operates the Independent Electricity System Operator Markets ("IESO-M").

The IESO-M facilitate the purchase and sale of electricity in the wholesale market between market participants and administers various government directed programs. The accompanying financial statements reflect the accounts of the IESO-M:

- as prescribed by the IESO market rules for the Ontario wholesale electricity market;
- pursuant to the Act and associated regulations; and
- pursuant to government directed programs.

These financial statements do not include the financial accounts of the IESO as the IESO is an intermediary to facilitate the settlement of IESO-M transactions. A separate and distinct set of financial statements are maintained for the IESO.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of financial statement preparation

The IESO-M is not entitled to accumulate a surplus or deficit from any IESO-M transactions. All transactions within the IESO-M in due course are for the benefit of the market participants.

The accompanying financial statements are in compliance with an IESO Board of Directors approval which requires these financial statements to be prepared under a special purpose framework as follows:

- Canadian Public Sector Accounting Standards ("PSAS") will be adopted except for the following:
- All remeasurement gains and losses on unsettled foreign currency transactions at the year-end will be recorded in the Statement of Operations and Accumulated Surplus when realized instead of flowing through the Statement of Remeasurement Gains and Losses in accordance with PSAS section PS 2601;
- No presentation of any budgeting information;
- No presentation of the Statement of Remeasurement Gains and Losses, Statement of Change in Net Debt; and Statement of Cash Flows.

The accompanying financial statements reflect the following significant accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Revenue recognition

Administered Market Settlements revenue is recognized on a monthly basis consistent with the billing cycle in which the IESO-M invoices market participants. Revenues are based on the volume of energy traded through the market.

Government Directed Programs revenue is recognized in the financial statements in the period in which the events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

Global Adjustment revenue is recognized on a monthly basis consistent with the billing cycle in which the IESO-M invoices market participants to recover the cost of building electricity infrastructure in the province, as well as delivering Ontario's conservation programs. Revenues are based on the differences between the wholesale market price for electricity, known as Hourly Ontario Energy Price ("HOEP") and regulated rates, payments for building or refurbishing infrastructure, and the cost of delivering conservation programs. The Act and associated Ontario regulations prescribes all other items that can be settled via the Global Adjustment.

Investment income represent interest income and investment gains or losses on cash and cash equivalents. Such revenue is recognized as it is earned.

c) Financial instruments

The IESO-M records cash and cash equivalents at fair value. Transaction costs are charged to operations as incurred.

Cash and cash equivalents comprise cash, term deposits and other short-term, highly rated investments with original maturity dates of less than 90 days.

The IESO-M records accounts receivable amounts due to and from market participants, rebates due from the IESO, accounts payable, rebates due to market participants, and debt at amortized cost.

d) Foreign exchange

Transactions denominated in foreign currencies are converted into Canadian dollars at the rate of exchange prevailing on the date of the transaction. Subsequently, monetary assets and liabilities on the Statement of Financial Position denominated in foreign currency are converted to Canadian dollars at the rate of exchange as of the date of the financial statements with the foreign exchange gain or loss recognized in the Statement of Operations and Accumulated Surplus.

e) Use of estimates

The preparation of the financial statements in conformity with the basis of accounting described in Note 2(a) requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities as at the date of the financial statements. There are no estimates that involve a significant degree of uncertainty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Future Changes in Accounting Standards

The Conceptual Framework for Financial Reporting in the Public Sector

The new Conceptual Framework provides a meaningful foundation for formulating consistent financial reporting standards. The Conceptual Framework will replace current guidance in Section PS 1000 and Section PS 1100. A Conceptual Framework is a coherent set of interrelated concepts underlying accounting and financial reporting standards. It prescribes the nature, function and limits of financial accounting and reporting. It is the foundation on which standards are developed and professional judgment is applied. While the impact of any changes on IESO-M is not reasonably determinable at this time, IESO-M intends to implement the Conceptual Framework effective December 31, 2025.

Section PS 1202 – Financial Statement Presentation

The new standard provides updated guidance on the general and specific requirements for the presentation of information in general purpose financial statements. Section PS 1202 will replace Section PS 1201. While the impact of any changes on IESO-M is not reasonably determinable at this time, IESO-M intends to implement the standard effective December 31, 2025.

3. ACCOUNTS RECEIVABLE

As at December 31	2024	2023
	\$	\$
Market accounts receivable	1,780,432	1,675,910
Net congestion rent receivable	18,044	985
Global Adjustment receivable	12,399	27,832
Closing balance	1,810,875	1,704,727

4. REBATES DUE FROM THE IESO AND DUE TO MARKET PARTICIPANTS

In 2024, the IESO recognized \$2,081 thousand (2023 - \$4,194 thousand) in rebates due to market participants regarding the Smart Metering Entity ("SME") in accordance with an Ontario Energy Board ("OEB") order. The OEB has ordered that the SME can accumulate up to a maximum operating reserve balance including certain OEB-approved adjustments and timelines. The OEB will regularly order the SME to rebate to market participants any amount that exceeds the maximum operating reserve balance, with the rebate being returned to market participants by August of the following year.

In 2024, the IESO recognized \$nil (2023 – \$nil) in rebates due to market participants regarding system fees. The OEB ordered in 2023 that the IESO can accumulate up to a maximum operating reserve balance and established a threshold for annual rebates.

As at December 31, 2024, the rebates to be received from the IESO were \$2,081 thousand (2023 – \$4,194 thousand) and the rebates due to market participants from IESO-M were \$2,081 thousand (2023 – \$4,194 thousand).

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31	2024	2023
	\$	\$
Market payables	1,748,136	1,941,931
Prepayments from market participants	83,843	34,028
Market interest payable to IESO	18,230	17,931
Other	11	591
Closing balance	1,850,220	1,994,481

6. DEBT

a) Credit Facility with the Ontario Financing Authority ("OFA")

The IESO on behalf of the IESO-M has an unsecured credit facility agreement with the OFA, which will make available to the IESO-M an amount up to \$1,000,000 thousand (2023 – \$1,000,000 thousand). Advances and monthly rollover amounts incur interest at a variable interest rate equal to the Province of Ontario's cost of funds plus 0.25% per annum. The credit facility has a June 30, 2026 expiration date. As at December 31, 2024, the credit facility payable to the OFA was \$5,516 thousand (2023 – \$337,475 thousand).

For the year ended December 31, 2024, the interest expense on the credit facility was \$2,620 thousand (2023 – \$5,186 thousand).

7. ADMINISTERED MARKET SETTLEMENTS

Administered Market Settlements activities are comprised of the following:

For the year ended December 31	2024	2023
	\$	\$
Energy charges	5,283,420	4,451,852
Transmission charges	2,448,622	2,281,125
IESO administration fee	230,078	204,728
Transmission rights auction and congestion rents	148,740	243,524
Congestion management settlement credits	106,594	105,628
Capacity auction	100,223	66,677
Ancillary service	69,061	80,529
Operating reserve	41,824	47,421
Smart metering entity fee	22,782	16,651
Adjustment account	4,347	11,845
All other	99,997	104,427
Total Administered Market Settlements expense	8,555,688	7,614,407
Interest income on transmission rights accounts (Note 10)	(3,190)	(6,493)
Total Administered Market Settlements revenue	8,552,498	7,607,914

8. GLOBAL ADJUSTMENT

Global Adjustment activities are comprised of the following:

For the year ended December 31	2024	2023
	\$	\$
Contracts' settlement	3,988,027	3,848,682
Ontario Power Generation prescribed assets	2,953,513	3,475,862
Local distribution companies' programs	1,210,341	1,203,650
Conservation	246,530	146,919
Ontario Electricity Finance Corporation non-utility generators	29,219	30,333
Total Global Adjustment	8,427,630	8,705,446

9. GOVERNMENT DIRECTED PROGRAMS

Government Directed Programs activities are comprised of the following:

For the year ended December 31	2024	2023
	\$	\$
Comprehensive Electricity Plan	3,155,127	3,190,020
Ontario Electricity Rebate	2,477,157	1,547,529
Rural or Remote Rate Protection	442,866	370,417
Distributed Rate Protection	390,617	376,007
Ontario Electricity Support	182,665	163,244
Northern Energy Advantage program	128,999	119,271
Natural Gas Expansion	103,721	14,294
First Nations On-Reserve Delivery Credit	29,668	28,030
Clean Energy Credit	-	990
Regulated Price Plan programs ("RPP") ¹	(325,813)	497,162
Total Government Directed Programs expense	6,585,007	6,306,964
Net interest income	(8,415)	(6,322)
Total Government Directed Programs revenue	6,576,592	6,300,642

¹ The OEB is required by law to set RPP commodity prices every year, to take effect on November 1 of each year, and to set RPP prices to reflect the forecast cost of supplying RPP consumers. The methodology used to develop RPP prices includes forecasting the RPP supply cost for 12 months, and determining the true-up to clear an appropriate portion of the supply cost variance, as well as establishing prices to recover the RPP supply cost from RPP consumers over the 12-month period. The supply cost variance can represent amounts due from market participants or obligations due to market participants, and is recognized as a revenue and expense in the period the transaction occurs.

10. INVESTMENT INCOME

In its administration of the IESO-M, the IESO directs the investment of market funds in investments throughout the IESO-M settlement cycle. The IESO is entitled to receive the investment income and investment gains, net of investment losses, earned on funds passing through the market settlement accounts. The IESO is not entitled to the principal on IESO-M investments.

Investment income is comprised of the following:

For the year ended December 31	2024	2023
	\$	\$
Interest income on market settlement accounts	18,230	17,931
Interest income on Natural Gas Expansion accounts	7,525	6,206
Interest income on Regulated Price Plan accounts	3,510	4,769
Interest income on transmission rights accounts (Note 7)	3,190	6,493
Interest income on Rural or Remote Rate Protection accounts	-	533
Total investment income	32,455	35,932

The IESO-M transferred investment income earned in the market settlement accounts to the IESO in the amount of \$18,230 thousand in 2024 (2023 – \$17,931 thousand).

11. FINANCIAL RISK MANAGEMENT

The IESO-M is exposed to financial risks in the normal course of its business operations, including market risks resulting from volatilities in debt and foreign currency exchange markets, as well as credit risk and liquidity risk. The nature of the financial risks and the IESO-M strategy for managing these risks has not changed significantly from the prior period. The market participants bear the full risk for any associated financial risks experienced.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market Risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate to cause changes in market prices. The IESO-M is primarily exposed to two types of market risk: currency risk and interest rate risk. The IESO-M monitors its exposure to market risk fluctuations and may use financial instruments to manage these risks as it considers appropriate. The IESO-M does not use derivative instruments for trading or speculative purposes.

i) Currency Risk

The IESO-M conducts certain transactions in U.S. dollars, primarily related to vendor payments, and maintains a U.S. dollar-denominated bank account. From time to time, the IESO-M may utilize forward purchase contracts to purchase U.S. dollars for delivery at a specified date in the future at a fixed exchange rate. In addition, the IESO-M utilizes U.S. dollar spot rate purchases in order to satisfy any current accounts. As at December 31, 2024, the IESO-M did not have any foreign denominated financial assets or liabilities or outstanding forward purchase contracts (2023 – \$nil).

ii) Interest Rate Risk

The IESO-M is exposed to movements or changes in interest rates primarily through its short-term variable rate credit facility. If interest rates increased or decreased by 25 basis points, the net impact to the debt would be insignificant.

b) Credit Risk

Credit risk refers to the risk that one party to a financial instrument may cause a financial loss for the other party by failing to meet its obligations under the terms of the financial instrument. The IESO-M is exposed directly to credit risk related to accounts receivable. The IESO-M manages credit risk through an approved management policy that limits investments to primarily investment-grade investments with counterparty-specific limits, and a collateral-prudential based framework for accounts receivable. As there are a significant number of market participants, there is no concentration of credit risk.

c) Liquidity Risk

Liquidity risk refers to the risk that the IESO-M will encounter financial difficulty in meeting obligations associated with its financial liabilities when due. The IESO-M manages liquidity risk by forecasting cash flows to identify cash flows and financing requirements. Cash flows from short-term investments, and maintaining appropriate credit facilities help to reduce liquidity risk. As market participants as a whole are required to ensure that all IESO-M financial liabilities are to be paid, liquidity risk is considered to be insignificant.

**Independent Electricity
System Operator**

1600-120 Adelaide Street West
Toronto, Ontario M5H 1T1

Phone: 905.403.6900

Toll-free: 1.888.448.7777

E-mail: customer.relations@ieso.ca

ieso.ca

 [@IESO_Tweets](https://twitter.com/IESO_Tweets)

 linkedin.com/company/IESO